

**Testimony of Rep. Dennis Kucinich  
on Rebuilding America's Infrastructure  
before the Budget Committee  
March 8, 2001**

Our country is facing a crisis in our infrastructure. It is something we see every day when we sit in traffic bound by orange barrels that line our highways. It is something that schoolchildren experience at their desks, crowded together under leaking roofs. Right here in Washington, municipal sewer systems overflowed last year, washing millions of gallons of raw sewage into the Potomac and Anacostia rivers into the Chesapeake Bay. These incidents happen every year and happen with increasingly regularity as systems age. Infrastructure problems threaten our productivity, our economy, our environment and our health.

What will it take to fix these problems? Nationally, it would take more than \$1 trillion to bring our country's roadways up to speed according to a report released yesterday by the American Society for Civil Engineers. It would take \$127 billion to repair and renovate our schools according to the National Center for Education Statistics. And in a recent study completed by the Water Infrastructure Network, it would take \$1.3 trillion over 20 years to build, operate and maintain drinking water and wastewater facilities.

With these kind of extraordinary needs, it is no wonder that municipalities have not been to make up the difference as the federal government has gradually decreased infrastructure support. Current federal water and wastewater funding is about \$3 billion per year, and TEA-21, which passed in the 105th Congress to fund surface transportation, did not meet half of the funding needs.

My bill would create a low-cost federal financing mechanism to administer \$50 billion in zero-interest loans every year to localities for infrastructure projects for ten years. Twenty percent of these funds would be targeted for school construction and repair. States would be totally responsible for choosing which projects to fund with the loans according to their specific needs.

This bill would create the Federal Bank for Infrastructure Modernization (FBIM). The bank, as an extension of the Federal Financing bank under the Treasury, would administer the loans. The loans would bear a small fee of one-quarter of one percent of the loan principle to

cover the administrative costs of the FBIM.

In order to provide the money for the loans, the FBIM would hold a portion of the Treasury securities that the Federal Reserve normally holds. The Fed currently holds about \$300 billion in Treasury securities. By transferring about \$50 billion annually to the FBIM, it would still allow the Fed to operate as it does now to add liquidity to the system. The Fed, instead of buying securities, would buy the mortgage loans of the states. This way, the FBIM's finances would be integrated by the Federal Open Market Committee so as not to disrupt its ability to promote economic stability.

In his February testimony, Fed Chairman Alan Greenspan supported a very similar type of transaction. Already, the Open Market Committee conducts repurchase agreements in mortgage-backed securities guaranteed by the agencies. Greenspan stated: "the FOMC asked the staff to explore the possible mechanisms for backing our usual repurchase operations with the collateral of certain debt obligations of U.S. States and foreign governments." This bill would follow this advice by providing the tool for the FOMC to integrate the mortgage loans of the states from the FBIM.

This amount could be varied so these funds could be used as a tool to foster stable economic growth. During times of economic slowdown, the FBIM could make more loans available to spur investment. During times of economic boom, the FBIM could make fewer loans available.

The needs are so great that our old ideas just won't work. If we talk about the hundreds of billions of dollars needed to make infrastructure a workable, productive system, overwhelms nearly every idea we've had in the past. The President's non-defense discretionary budget is \$338.7 billion. The needs are much greater than that. Even for certain needs, like school construction, we would have to spend one-third of his budget. To repair structurally deficient bridges, we would have to spend one-fourth of his budget. It is unimaginable that we will fully address even one of these areas.

We must be creative. We must think of ways of solving problems that are outside-the-box. That is exactly what this proposal is and why it needs the support of the Budget Committee. The Committee's backing of this bill reflects an understanding that our nation is asking for innovative, bipartisan solutions.

The Federal Bank for Infrastructure Modernization is a tool for leveraging the necessary funds. Cities and states would still be responsible for paying the net cost of the project, but by making the loans zero-interest, it cuts the overall cost of the project in half. This is a workable solution that goes a long way in addressing infrastructure needs.

I come here today to seek the support of the Budget Committee. With your leadership, this bill could provide the ingenuity, the essential boost that projects need.